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SUBJECT: LOST OPPORTUNITIES IN BINH PHUOC PROVINCE

11. (SBU) Summary: Binh Phuoc Province, located north of Ho Chi Minh City, is a backwater that could do more to take advantage of its proximity to HCMC. Provincial leaders used a recent investor conference to wine, dine and sing martial karaoke with their cronies. In many respects, a visit to the province is stepping back to the bad old days, complete with loudspeakers blaring propaganda. A bright spot is a USG-funded cocoa project, in which as many as 2,000 Binh Phuoc farming households, including some ethnic minorities, participate. End Summary.

12. (SBU) EconOff visited Binh Phuoc Province January 2-3 to attend an investor conference sponsored by the Province. The HCMC branch of the Vietnam Chamber of Commerce and Industry (VCCI) organized the conference and bused in almost 100 HCMC-based businesspeople. VCCI organizers told us they tried to dissuade Binh Phuoc authorities from holding a business event the day after New Year's, but local officials were determined to hold the event on the 10-year anniversary of Binh Phuoc's establishment. (Note: Binh Phuoc and Binh Duong provinces were created in 1997 by dividing Song Be province. End note.)

13. (SBU) The conference consisted mainly of provincial leaders reading out multi-page reports on the accomplishments of Binh Phuoc in the last ten years. Binh Phuoc's annual growth has averaged 9 percent since the province was created, but per capita GDP remains at two thirds the national average at USD 476. VCCI reported on Binh Phuoc's performance in the 2006 Provincial Competitiveness Index, a project of VCCI and the USAID-funded Vietnam Competitiveness Initiative (VNCI). Binh Phuoc ranked number 52 out of 64 provinces. While the PCI reported the province well on access to land, it was particularly weak in the transparency, legal institutions, business establishment costs, labor training and private sector development services.

14. (SBU) The day after the conference EconOff traveled to Bu Dang district in the northeastern part of the province to visit the USG-funded cocoa project run by ACDI/VOCA's Success Alliance. Approximately 2,000 farming households in the district have embraced the project, which adds cocoa plants to plots where cashew trees are already planted. The cashew trees protect the cocoa plants from direct sunlight, and farmers could earn as much as VND 21 million (approximately USD 1,300) more per year per hectare by adding cocoa plants to their cashew plantations.

15. (SBU) The project started in Binh Phuoc in 2005, and farmers expect their first harvest by the end of 2007. The

Success Alliance has helped the farmers form clubs to facilitate the spread of knowledge. The head of each club receives training on cultivating and harvesting cocoa and then shares that expertise with club members. Two of the farmers we visited had received around 100 plants to start their ventures, but have since gone on to purchase as many as 2,000 more plants as they recognized the potential of cocoa farming. Project participants have had discussions with Cargill about selling their cocoa beans once the trees bear fruit. One of the farmers we visited is an ethnic minority Stieng. Dieu Dang owns about five hectares of farmland, which he said was valued at VND 140 million (approximately USD 8,750) per hectare. Dang lives in a village of 40 households with a small wooden Catholic church. Dang told us that villagers were predominantly Catholic or Protestant, and many owned plots of land similar in size to his farm.

17. (SBU) Comment: Binh Phuoc is clearly the poor cousin to Binh Duong Province, which lies between Binh Phuoc and HCMC and is one of Vietnam's most prosperous provinces. Binh Phuoc is only a two to three hour drive from central HCMC; with the right leadership, it could capitalize on its proximity to HCMC and attract investment and industry in its own right. Under the direction of former Provincial Party Secretary and current President of Vietnam Triet, Binh Duong turned itself into a magnet for investors and industrial zones. Binh Phuoc, however, does not appear to have changed since it was created ten years ago. Loudspeakers blare announcements during the day and martial music at 5 a.m., complete with a recorded voice counting out morning exercises. The investment conference dinner appeared to be not so much an opportunity for networking as an occasion for the People's Committee Chairman and his business and government associates to drink and sing war-era karaoke.

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18. (SBU) Comment cont'd: Provincial authorities kept a close eye on us, particularly when we met with the ethnic Stieng cocoa farmer. We were accompanied by a "technician" who could not answer our technical questions and who seemed more interested in our question about villagers' religious affiliations than our discussion of cocoa farming.

WINNICK